

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01

LAB-04 SIL-01 OMB-01 SS-15 NSC-05 XMB-02 OIC-02 /098 W

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INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: MEETING OF XCSS JULY 18

1. SUMMARY: JULY 18 MEETING OF XCSS RESULTED IN STRONG SUPPORT FOR HIGH LEVEL GROUPS ON COMMODITIES AND ECONOMIC RELATIONS WITH LDCS TO CONTINUE WORK AS PLANNED, ADDRESSING ALL SUBJECTS ON AGENDA AND NOT DELEGATING WORK TO OTHER GROUPS OR ORGANIZATIONS FOR PRESENT. IN COMMODITY AREA THERE WAS CONSENSUS THAT BOTH MARKET AND EARNINGS STABILIZATION APPROACHES SHOULD GET PARALLEL TREATMENT, AND THAT WORK SHOULD PROCEED AS RAPIDLY AS POSSIBLE. WITH RESPECT TO GROUP ON ECONOMIC RELATIONS WITH LDCS, DELS APPEARED MORE WILLING THAN IN PAST TO SEE GROUP PLAY ROLE IN TRADE AREA, SUCH AS ENSURING TIMELY IMPETUS TO LDC ASPECTS OF MTN. DISCUSSION AT END OF MEETING CENTERING ON DESCRIPTIONS BY US AND FRANCE OF PROSPECTS FOR EARLY RESUMPTION OF DIALOGUE WITH LDCS PUT WORK OF BOTH HIGH LEVEL GROUPS SQUARELY IN CONTEXT OF 3 COMMISSION STRUCTURE FOR PROPOSED PRODUCER/CONSUMER

DIALOGUE AND HAS UNDOUBTEDLY GIVEN NEW IMPULSE TO THEIR ACTIVITY. DATE OF NEXT XCSS TENTATIVELY SET FOR OCTOBER 21-22. END SUMMARY.

2. AD HOC GROUP ON OECD/LDC ECONOMIC RELATIONS (AHG): XCSS AGREED GROUP SHOULD CONTINUE STEP BY STEP APPROACH, EXPLORING POSSIBILITIES FOR CONSTRUCTIVE APPROACHES IN ALL 5 AREAS BEING CONSIDERED AND ESTABLISH PRIORITIES ON BASIS OF ITS ANALYSIS OF PROBLEMS FACING LDCS. INITIAL REPORT WOULD DISTINGUISH THOSE AREAS WHERE THERE WAS BROAD AGREEMENT, THOSE WHERE VIEWS DIFFERED, AND THOSE WHERE FURTHER WORK WAS REQUIRED. THE IMPORTANCE OF CONTRIBUTIONS FROM THE RICHER LDCS, PARTICULARLY OPEC COUNTRIES, WAS ACCEPTED, BUT DELS FELT QUESTION MUST BE APPROACHED CAREFULLY TO AVOID GIVING IMPRESSION OF ESTABLISHING PREREQUISITE TO COOPERATION. XCSS AGREED TRADE WAS ESSENTIAL SECTOR IN RELATIONS WITH LDCS AND LIMITED OFFICIAL USE

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AHG SHOULD KEEP INFORMED OF PROGRESS OF MTN AND ASSESS POSSIBILITIES FOR GIVING IMPETUS TO THE NEGOTIATIONS AT AN APPROPRIATE TIME. FURTHER WORK WAS OBVIOUSLY NEEDED

TO FLESH OUT PROPOSALS IN AREA OF INDUSTRIAL/TECHNOLOGICAL COOPERATION. DELS AGREED NO WORK SHOULD BE DELEGATED ELSEWHERE FOR PRESENT.

3. LENGTHY DEBATE REVEALED FEW DIVERGENCES OF VIEWS OR NEW APPROACHES. SOME DELS, INCLUDING JAPAN AND EC COMMISSION, WERE MORE CAUTIOUS ABOUT TRADE MATTERS THAN OTHERS. FRENCH THOUGHT AHG COULD ENSURE PROPER SPIRIT IN GENEVA, AND GERMANS AND SEVERAL OTHERS THOUGHT GROUP COULD DO USEFUL WORK IN AREA OF STANDSTILL, GSP, AND ACCESS FOR PROCESSED RAW MATERIALS. THERE WAS BROAD CONSENSUS, HOWEVER, THAT WHILE AHG COULD NOT BECOME INVOLVED IN SPECIFIC ISSUES UNDER NEGOTIATION IN GENEVA, IT SHOULD MONITOR CLOSELY THOSE NEGOTIATIONS WITH VIEW TO GTVING TIMELY IMPETUS TO LDC INTERESTS. FRENCH URGED XCSS TO KEEP ENERGY AND MONETARY SECTORS IN MIND IN ADDITION TO THOSE BEING STUDIED BY AHG, WHILE TURKEY AND SPAIN MADE USUAL PITCH FOR SPECIAL WORK ON PROBLEMS OF LDC MEMBERS OF OECD. ITALY SUGGESTED MORE FOCUS ON POSSIBILITIES OF TRIANGULAR VENTURES. SEVERAL

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SMALLER DELS MADE PITCH FOR REAFFIRMATION OF GNP AID TARGETS. SWEDEN STRUCK ONLY SOUR NOTE IN DISCUSSION WITH REMINDER TO GROUP THAT IT COULD NOT SUPPORT EFFORTS WHICH MADE IT LOOK AS IF MORE GENEROUS COUNTRIES WERE MOVING BACKWARD. US DEL (ROBINSON) PROPOSED AHG CONSIDER HOW TO CONVEY TO LDCS THE IDEA OF AN INTEGRATED RELATIONSHIP BETWEEN INDUSTRIAL DEVELOPMENT, TECHNOLOGY TRANSFER, AND A SATISFACTORY INVESTMENT CLIMATE; THIS WAS SUPPORTED BY NUMBER OF KEY DELS, INCLUDING JAPAN, FRANCE, AND GERMANY.

4. HIGH LEVEL GROUP ON COMMODITIES (HLGC): XCSS EXPRESSED GENERAL APPROVAL OF WORK PLAN OUTLINED BY HLGC CHAIRMAN PRESTON, AND AGREED THAT GROUP SHOULD CONTINUE TO CONCENTRATE ON ASPECTS MOST CLOSELY RELATED TO LDC PROBLEMS (FOR EXAMPLE, THE SEVEN PRODUCTS SELECTED FOR STUDY BY HLGC ARE AMONG 10 PROPOSED BY UNCTAD AS OF PARTICULAR INTEREST TO LDCS). GROUP SHOULD TAKE A PRAG-

MATIC RATHER THAN THEOLOGICAL APPROACH, EXAMINE CAUSES AS WELL AS SYMPTOMS OF COMMODITY PROBLEMS, AND WORK AS SPEEDILY AS POSSIBLE. THERE WAS UNANIMOUS AGREEMENT THAT AT PRESENT TIME NO APPROACH SHOULD BE EXCLUDED AND NO SUBJECT SHOULD BE DELEGATED TO OTHER GROUPS OR ORGANI-

ZATIONS. EARNINGS STABILIZATION AND INVESTMENT ISSUES WERE EXPLICITLY REFERRED BACK TO HLGC, BUT IT WAS RECOGNIZED THAT THESE SUBJECTS WOULD ALSO HAVE TO BE FOLLOWED BYAHG (EARNINGS STABILIZATION, FOR EXAMPLE, AS FORM OF RESOURCE TRANSFER), AND FLEXIBLE RELATIONSHIP BETWEEN GROUPS MAINTAINED UNTIL STRUCTURE OF DIALOGUE MORE CLEAR. IT WAS ALSO AGREED THAT WORK OF GROUP SHOULD BE SYNCHRONIZED WITH DIALOGUE AND AIMED AT ACHIEVING POSITIVE RESULTS AT UNCTAD IV. THERE WAS WIDESPREAD SUPPORT FOR SOME FORM OF EARNINGS STABILIZATION.

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5. DURING DISCUSSION FRENCH AND GERMANS AGREED ON NEED TO GIVE EQUAL EMPHASIS TO STUDY OF MARKET AND EARNINGS STABILIZATION. NUMBER OF DELS URGED THAT GROUP'S WORK BE SPEEDED UP, AND SWEDEN SUGGESTED THAT MEETING OF HLGC

BE HELD ON EARNINGS STABILIZATION BEFORE UNGA SPECIAL SESSION (BUT ADMITTED THIS IMPRACTICAL). SWEDES INDICATED THEY DID NOT FAVOR LEAVING EARNINGS STABILIZATION TO IMF, BUT THOUGHT NEW GLOBAL SYSTEM COULD BE ESTABLISHED IN UN BASED ON ELEMENTS OF "STABEX" AND OLD "SUPPLEMENTARY FINANCE" CONCEPT. TURKS SUGGESTED ADDING COTTON TO LIST OF PRODUCTS AND ITALIANS SUGGESTED HIDES AND WOOD. US DEL URGED GROUP CONTINUE COMPREHENSIVE APPROACH TAKING INTO ACCOUNT ELEMENTS OF INVESTMENT, TECHNOLOGY, SUBSTITUTION, AND TRADE BARRIERS AS WELL AS QUESTION OF PRICE AND EARNINGS STABILITY, AND NOTED SUPPLY/MARKET ACCESS ISSUE NEEDED EXPLORATION IN HLGC AS WELL AS MTN. SWISS VOICED MILD DISSENT ON EMPHASIS GIVEN TO LDC ASPECT, AND REQUESTED MORE WORK BE DONE ON IMPACT OF COMMODITY PROBLEMS ON DC INTERESTS.

6. DIALOGUE WITH LDCS: US DEL (ROBINSON) LED OFF DISCUSSION OF GENERAL POLITICAL/ECONOMIC CONTEXT OF WORK OF TWO HLGS BY REAFFIRMING US DEDICATION TO CARRYING FORWARD WORK IN GROUPS, WHICH HE SAW AS

HAVING EXTREMELY IMPORTANT FUNCTION IN RESUMED DIALOGUE BY ENABLING INDUSTRIALIZED COUNTRIES TO EXCHANGE VIEWS AND HARMONIZE THEM WHERE POSSIBLE. HE NOTED US HAD TAKEN NEW APPROACH SINCE APRIL PREPCOM AND THAT HE THOUGHT CONDITIONS WOULD ENABLE ESTABLISHMENT OF 3 COMMISSION STRUCTURE BY LATE NOVEMBER/EARLY DECEMBER, AT WHICH TIME INDUSTRIALIZED COUNTRIES SHOULD BE READY TO START DIALOGUE. ROBINSON THUS LOOKED FORWARD TO ACCELERATING MOMENTUM OF WORK IN HLGS. HE ALSO MENTIONED US INTENDED TO TAKE IMPORTANT STEP FORWARD AT UNGA 7SS AND THAT WORK IN GROUPS WAS HELPFUL IN GUIDING US

THOUGHTS ON WHERE PROGRESS COULD BE MADE. (DURING RESTRICTED SESSION JULY 17, US DEL ALSO STATED WILLINGNESS TO EXCHANGE VIEWS FURTHER WITH OTHER OECD COUNTRIES BEFORE SPECIAL SESSION. IN RESPONSE, AHG CHAIRMAN ROBERT SUG-
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GESTED MEETING OF HIS GROUP DURING LAST WEEK IN AUGUST, BUT CONSENSUS WAS TO AVOID FORMAL MEETING AND USE INFORMAL CHANNELS.)

7. FRENCH DEL SAID GOF WAS AT STAGE WHERE IT COULD SEE

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RESUMPTION OF DIALOGUE. HE EXPRESSED SOME REGRET THAT TIME HAD BEEN LOST WAITING FOR KEY COUNTRIES' POSITIONS TO CHANGE, BUT TOOK VERY POSITIVE APPROACH, INDICATING HE EXPECTED CONSENSUS BY TIME OF 7TH SPECIAL SESSION ON PROCEDURE LEADING TO DIALOGUE (NEW PREPCOM AFTER UNGA FOLLOWED BY RESTRICTED AND REPRESENTATIVE CONFERENCE SUCH AS HAD BEEN ENVISAGED IN APRIL). FROMENT- MEURICE STRESSED IMPORTANCE OF COOPERATIVE ATMOSPHERE IN SPECIAL SESSION TO GETTING DIALOGUE OFF ON RIGHT FOOT, AND SAID INDUSTRIALIZED COUNTRIES SHOULD HAVE POSITIONS AS WELL HARMONIZED AS POSSIBLE. HE HOPED RESOLUTIONS AND PROPOSALS COULD BE BUILT ON SUCH POSITIONS. IN RESUMED DIALOGUE GOF WOULD HAVE TO CONSIDER ITS POSITION AS CHAIRMAN WITH REGARD TO PROCEDURAL MATTERS, BUT THAT WITH RESPECT TO SUBSTANCE IT WAS, OF COURSE, MEMBER OF OECD AND INDUSTRIALIZED GROUP. JAPANESE DEL ECHOED US AND FRENCH VIEWS AND STRESSED ROLE OF HIGH LEVEL GROUPS IN ACHIEVING AS MUCH HARMONY AS POSSIBLE IN INDUSTRIALIZED COUNTRY POSITIONS.

8. UK (PRESTON) EMPHASIZED NEED FOR NEW POLITICAL WILL IF THREE COMMISSIONS WERE IN FACT TO PROVIDE CONSTRUCTIVE APPROACH TO DIALOGUE WITH DEVELOPING COUNTRIES AND SAID IT WOULD BE LOOKING FOR SIGNS OF THIS WILL AT 7TH SPECIAL SESSION. PRESTON SAID HE WAS ENCOURAGED BY IN-

DICATION OF FURTHER US INITIATIVES, BUT WARNED GROUP AGAINST GENERATING FEELINGS THAT COMMISSIONS WOULD REPLACE WORK BEING DONE IN OTHER FORUMS. IMPORTANT THING IN UK VIEW WAS FOR COUNTRIES INDIVIDUALLY TO MAINTAIN CALM AND RATIONAL VIEWPOINTS; SOMETHING TO WHICH HIGH LEVEL GROUPS COULD MAKE AN IMPORTANT CONTRIBUTION. EC COMMISSION AND ITALY (SPEAKING FOR COMMUNITY) MADE BRIEF POSITIVE INTERVENTIONS.

9. CHAIRMAN POINTED OUT IMPORTANCE OF THESE SERIES OF LIMITED OFFICIAL USE

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STATEMENTS IN INDICATING PROGRESS SINCE MINISTERIAL MEETING IN ESTABLISHING DIALOGUE. HE CONCLUDED THAT TO ACHIEVE TASK OF HARMONIZING POSITIONS AS MUCH AS POSSIBLE HLGS NEEDED TO GO BEYOND MAKING INVENTORY OF POSSIBLE ACTIONS AND BEGIN PREPARING CONSTRUCTIVE NEW

APPROACHES WHICH COULD MEET WITH THE APPROVAL OF THE LARGEST NUMBER OF OECD MEMBERS.

10. DATE OF NEXT MEETING: XCSS DECIDED TO SET OCTOBER 21-22 AS PROVISIONAL DATE FOR NEXT MEETING TO GIVE TIME TO DIGEST RESULTS OF WORK OF HLGC AND POSSIBLE SECOND PREPCOM.

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